



# FACT SHEET

## *U.S.-Panama Trade Promotion Agreement* Washington Farmers Will Benefit

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The U.S.-Panama Trade Promotion Agreement eliminates tariffs and other barriers on most U.S. goods, increasing export opportunities for agricultural products important to Washington. With immediate elimination of duties on over 60 percent of current U.S. trade, this agreement changes the one-way street of duty-free access currently enjoyed by most Panamanian exports into a two-way street benefiting both countries. The American Farm Bureau strongly supports the agreement, predicting widespread gains for U.S. agriculture exceeding \$190 million per year.

Washington's exports to all countries, estimated at \$2.6 billion in 2007, supported about 26,400 jobs, on and off the farm. These export sales make an important contribution to the Washington farm economy which had total cash receipts of \$6.2 billion in 2006.

**Fruits.** Washington fruit growers and processors are the second largest exporter nationwide with shipments valued at \$946 million in 2007. Apples are the largest agricultural industry in the state with cash receipts of \$1.4 billion in 2006. This industry, which also grows pears, cherries, grapes, raspberries and other fruit, will benefit from this agreement.

- Panama will eliminate its tariffs on nearly all fresh and processed fruits immediately.
- Following are examples of fruit products of importance for Washington that will be duty-free immediately (the currently applied tariff is indicated in parentheses): apples (2 percent), pears (5 percent), grapes (Free), fresh cherries (1 percent), raspberries (15 percent), processed pears and cherries (Free).

**Vegetables.** Washington vegetable growers and processors are the second largest exporter nationwide with shipments valued at \$504 million in 2007. Potatoes were the fifth largest agricultural industry in the state with cash receipts of \$498 million in 2006. This industry, which also grows asparagus, sweet corn and other vegetables, will benefit from this agreement.

- Panama will eliminate its tariffs on nearly all frozen and processed vegetables immediately. The tariff faced by U.S. exporters for these products currently is 15 percent.

- The tariffs for most fresh vegetables will be eliminated in 10-15 years.
- Panama will provide immediate duty-free access within a preferential tariff-rate quota (TRQ) for frozen precooked French fries that starts at 3,640 tons and grows each year by 4 percent. The 20-percent over-quota tariff will be eliminated in 5 years.
- Panama will eliminate its 15-percent tariff on potato chips immediately and the tariffs on potato flakes (15 percent) and other potato preparations (as high as 54 percent) will be phased out in 5 to 10 years. Panama will also establish a 765-ton duty-free preferential TRQ for fresh potatoes that will grow each year by 2 percent.
- Panama will eliminate its 15-percent tariffs on frozen and canned sweetcorn immediately.

**Dairy Products.** The dairy industry is the second largest source of farm cash receipts in the state with earnings of \$686 million in 2006. Washington's dairy industry will benefit from the Panama FTA.

- U.S. exporters will have immediate duty-free access to nine preferential dairy TRQs with a combined total of 3,986 tons. These include 2,625 tons of skim milk powder, 728 tons of cheese, 263 tons of ice cream, and 370 tons of other dairy products. These quantities will grow by 4 or 5 percent each year and the over-quota tariffs for these TRQs, which range from 15 percent for ice cream to 50 percent for milk powders, will be phased out in 15 to 17 years.
- U.S. dairy exporters will continue to have access to the global TRQs for 3,830 tons of milk powder and 3,782 tons of cheese that are part of Panama's World Trade Organization commitments.
- Panama will eliminate its 30-percent tariff on dried whey products immediately. The tariffs on most other dairy products, which currently face duties as high as 140 percent, will be phased out over 15 years.
- In addition, Panama has already implemented our December 2006 bilateral agreement on sanitary and phytosanitary (SPS) measures and technical standards by recognizing the equivalence of the U.S. food safety systems for processed foods, including dairy products, and by streamlining its product registration system for packaged foods. This will allow U.S. food processors to export dairy products to Panama without burdensome paper work and without having each facility and shipment inspected by Panamanian authorities.
- The National Milk Producers Association supports the Agreement, noting that "Panama imports nearly half its dairy products, and the U.S. stands to become a larger supplier once the FTA is finalized."

**Beef.** The cattle and calf industry is the third largest source of farm cash receipts with earnings of \$649 million in 2006. The industry will benefit from this agreement.

- Panama will immediately eliminate its 30-percent duty on beef products of most importance to the U.S. beef industry--prime and choice cuts. Panama's tariffs on other cuts of beef will be phased out over 15 years.

- The 10-percent tariff on beef tongues and livers will be eliminated in 5 years, and the 15-percent tariffs on other edible offal will be eliminated immediately.
- Panama has already implemented our December 2006 bilateral agreement on SPS measures, reopening its market to U.S. beef by bringing its import requirements related to BSE into compliance with international standards.
- Panama also accepted the equivalence of the U.S. meat inspection system, which allows U.S. inspectors to certify beef for export to Panama without having each facility and shipment inspected by Panamanian authorities.

**Wheat.** Wheat is the state's fourth largest agricultural industry, and Washington is the nation's sixth largest wheat exporter with overseas shipments of wheat and wheat products estimated at \$429 million in 2007. Washington's wheat growers will benefit from the Panama agreement.

- Panama's current zero-tariff treatment for wheat will be locked in place immediately upon implementation of the Agreement.
- The 10-percent tariff on wheat flour will be eliminated within 12 years.